

Message Text

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ORIGIN ARA-20

INFO OCT-01 ADP-00 AID-20 EB-11 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

INRE-00 /129 R

DRAFTED BY ARA/CEN DLAZAR:TK

8/23/73 29362

APPROVED BY ARA/CEN DAVID LAZAR

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O R 232107Z AUG 73

FM SECSTATE WASHDC

TO AMEMBASSY TEGUCIGALPA IMMEDIATE

INFO AMEMBASSY SAN SALVADOR

AMEMBASSY GUATEMALA

AMEMBASSY SAN JOSE

AMEMBASSY MANAGUA

C O N F I D E N T I A L STATE 168092

E.O. 11652:GDS

TAGS: PFOR, ETRD, ECON, HO

SUBJECT: SUGAR PURCHASE

1. LAZAR CALLED AMBASSADOR GALVEZ MORNING AUGUST 23 AND STATED WE HAD JUST RECEIVED NEWS OF BENNATON'S ANNOUNCEMENT RE CUBAN SUGAR PURCHASE. LAZAR TOLD GALVEZ THIS HAD CAUSED QUITE A STIR AND WE WERE WONDERING, IF TRUE, WHETHER BATRES HAD KNOWN ABOUT IT DURING AUGUST 22 CONVERSATION WITH SHLAUDEMANN. HE POINTED OUT TO GALVEZ THAT IF BATRES HAD KNOWN, AND GIVEN FACT THAT THIS WOULD SEEM TO BE A CLEAR-CUT VIOLATION OF OAS SANCTIONS, THIS RAISED SERIOUS QUESTIONS REGARDING SIGNIFICANCE AND SERIOUSNESS OF BATRES' APPARENTLY FIRM COMMENTS TO SHLAUDEMANN ABOUT THE NEED TO FOLLOW A STRICTLY LEGAL APPROACH ON THE VENEZUELAN INITIATIVE. GALVEZ STATED HE

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WAS UNAWARE OF TRANSACTION BUT WOULD QUERY BATRES AND CALL

BACK.

2. GALVEZ CALLED BACK SEVERAL HOURS LATER, HAVING PUT BATRES ON TRAIN FOR NEW YORK. HE SAID THAT BATRES DID NOT CONSIDER THIS TO BE AN IMPORTANT MATTER, THAT GOH INTENDED TO DOWNPLAY IT AND HOPED WE WOULD TREAT IT IN LIKE MANNER. GALVEZ REPORTED BATRES AS SAYING THAT GOH HAD SHOPPED FOR SUGAR, AND THAT CUBA HAD OFFERED BEST PRICE BY 5 TO 15 PERCENT. HE ALSO SAID THEY COULD

HAVE ARRANGED TRANSACTION THROUGH A THIRD PARTY TO DISGUISE IT, BUT HAD DECIDED NOT TO DO SO BOTH BECAUSE THEY DIDN'T THINK IT WAS ANYTHING TO DISGUISE AND BECAUSE IT WOULD HAVE INVOLVED ADDITIONAL EXPENSES.

3. REGARDING LEGALITY OF TRANSACTION UNDER OAS SANCTIONS RESOLUTION BATRES TAKES POSITION THAT RESOLUTION PERMITS SUPPLYING FOODSTUFFS, MEDICINES, AND OTHER HUMANITARIAN ASSISTANCE TO CUBA AND THEREFORE MUTATIS MUTANDIS MUST ALLOW FOR PURCHASES OF FOODSTUFFS FROM CUBA IN CASES OF SERIOUS SHORTAGES SUCH AS PRESENT DROUGHT-CAUSED SHORTAGE OF SUGAR IN HONDURAS. BATRES EMPHASIZED THIS TRANSACTION HAD NO EFFECT ON GOH POSITION ON THE VENEZUELAN INITIATIVE WHICH WAS EXACTLY AS HE HAD SET IT OUT IN AUGUST 22 CONVERSATION. HE STATED THAT THIS WAS A ONE-TIME TRANSACTION AND THAT THERE WERE NO PLANS TO ESTABLISH COMMERCIAL RELATIONS WITH CUBA. BATRES POINTED OUT THAT THE PRICES OF SOME BASIC FOODSTUFFS IN HONDURAS ARE RISING (HE SINGLED OUT WHEAT AND BREAD) AND IT WAS POLITICALLY IMPORTANT TO KEEP THE PRICE OF SUGAR DOWN.

4. LAZAR POINTED OUT THAT IT WAS ALL WELL AND GOOD FOR BATRES TO SAY THAT GOH DID NOT CONSIDER THIS AN IMPORTANT ISSUE BUT THAT WE WEREN'T SURE THAT REACTION WITHIN USG WOULD BE ALL THAT LOW-LEVEL AND THAT INITIAL REACTION WAS ONE OF SURPRISE AND CONCERN.

ROGERS
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